

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 INT-05 COME-00 L-02 XMB-02 SP-02 AID-05

EB-07 NSC-05 RSC-01 CIEP-01 TRSE-00 SS-15 STR-01

OMB-01 CEA-01 CIAE-00 INR-07 NSAE-00 IGA-01 /063 W

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P 201325Z JAN 75

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC PRIORITY 642

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E.O. 11652: N/A

TAGS: EFIN, EIND, EINV, SL, US

SUBJECT: BETH STEEL NEGOTIATIONS WITH GOSL

REF: A. STATE 5392 B. FREETOWN 2463 C. STATE 12158

1. EMBASSY REGRETS THAT FOLLOWING REPLY TO REF A, WHICH
PREPARED ON RECEIPT REF A JANUARY 10, INEXPLICABLY NOT
TRANSMITTED UNTIL NOW.

A. EMBASSY HAS AS DELIBERATE POLICY NOT DISCUSSED
WITH POLITICAL LEVEL GOSL OFFICIALS GOSL-BETH STEEL NEGO-
TIATIONS OVER POSSIBLE GOSL PARTICIPATION IN SIERRA RUTILE
(SRL). POLICY, WHICH JOINTLY AGREED TO BY AMBASSADOR OLSON
AND EXIM DIRECTOR KOBELINSKI AT TIME BETH STEEL VP LEACH
FIRST FORMALLY REQUESTED WRITTEN GOSL ASSURANCES OF NO GOSL
PARTICIPATION DURING JOINT BETH STEEL/EXIM CALL ON
PRESIDENT STEVENS OCTOBER 29, HAS BEEN DESIGNED HELP MAKE
CLEAR TO GOSL THAT USG NOT A PARTICIPANT IN NEGOTIATIONS AND
NOT TAKING POSITION ON ISSUE WHICH ONE FOR TWO PARTIES
THEMSELVES TO RESOLVE. FYI. AS DEPARTMENT AND EXIM
AWARE, BETH STEEL MADE DECISION TO SEEK WRITTEN ASSURANCE
AGAINST REPEATED RECOMMENDATIONS TO CONTRARY BY AMBASSADOR
WHO HAD POINTED OUT IT VIRTUALLY IMPOSSIBLE PRESIDENT
COULD PUBLICLY REVERSE POLICY EVEN THOUGH HE HAD PREVIOUSLY
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GIVEN PRIVATE ORAL ASSURANCES IT WOULD NOT BE APPLIED TO

SIERRA RUTILE. END FYI.

B. EMBASSY HAS THEREFORE NOT PARTICIPATED (NOR BEEN ASKED TO) IN SUBSEQUENT MEETINGS AND NEGOTIATIONS ON ISSUE AND HAS HAD TO RELY ON ACCOUNTS FROM BETH STEEL REPS AND SRL VICE PRESIDENT DAVID FRASER FOR INFORMATION ON PROGRESS OR LACK THEREOF IN RESOLVING PROBLEMS AND FOR ESTIMATES OF GOSL INTENTIONS. EMBASSY'S LATEST INFORMATION, FOLLOWING LAST ROUND IN EARLY DECEMBER, CONTAINED REF B. SUBSEQUENT CONVERSATIONS WITH FRASER, WHO LEFT FOR BETHLEHEM TWO DAYS AGO FOR FURTHER PREPARATIONS THERE, INDICATE THAT HIS JUDGMENT STILL VERY MUCH AS REPORTED REF B.

C. WHILE EMBASSY NOT PRIVY TO GOSL INTENTIONS OR BARGAINING STRATEGY, IT OUR HUNCH THAT THERE GOOD POSSIBILITY BUT BY NO MEANS ANY ASSURANCE THAT SETTLEMENT CAN BE REACHED DURING UPCOMING TALKS. GOSL WOULD, WE THINK, VERY MUCH LIKE SEE PROJECT FINALLY GET OFF GROUND. WE FURTHER THINK THAT GOSL HAS GOOD UNDERSTANDING THAT UNLESS SATISFACTORY AGREEMENT REACHED ON TERMS RELATIVELY SMALL PROPOSED INVESTMENT BY BETH STEEL IN SRL, PROSPECTS WOULD BE DECREASED THAT BETH STEEL MIGHT BE INTERESTED IN PURSUING POTENTIALLY MUCH LARGER INVESTMENTS IN FINANCIALLY TROUBLED DELCO IRON MINE AT MARAMPA OR IN IRON DEPOSITS NOW BEING SURVEYED NEAR LIBERIAN BORDER. NONETHELESS, GOSL VERY MUCH IN TUNE WITH MORE AGGRESSIVE STANCE ADOPTED RECENTLY BY MANY MINERAL EXPORTING COUNTRIES AND ANXIOUS TO MAXIMIZE CASH RECEIPTS AS EARLY AS POSSIBLE. WE BELIEVE THEY CAN BE EXPECTED BARGAIN VERY HARD INDEED AND MAY NOT FEEL UNDER ANY COMPULSION REACH AGREEMENT THIS TIME, BELIEVING TIDE OF HISTORY ON SIDE OF GOVERNMENTS OF PRODUCING COUNTRIES. KEY TO SUCCESSFUL CONCLUSION MAY WELL BE HOW MUCH BARGAINING LATITUDE BETH STEEL REPS WILL HAVE IN CLOSING PRESENT GAP ON WHICH EMBASSY NOT INFORMED AND WHICH WE PRESUME NOW BEING WORKED OUT IN BETHLEHEM.

D. IF HE HAS NOT ALREADY MET WITH EXIM OR MADE ARRANGEMENTS DO SO, STRONGLY RECOMMEND AMBASSADOR-DESIGNATE SAMUELS OBTAIN FULL BRIEFING FROM EXIM DIRECTOR KOBELINSKI AND STAFF BEFORE MEETING BETH STEEL OFFICIALS.
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2. SINCE PREPARATION ABOVE REPLY, EMBASSY HAS FOUND APPROPRIATE OCCASION DISCUSS SITUATION QUIETLY WITH IVAN GORDON, DIRECTOR OF MINES. GORDON IS MEMBER GOSL NEGOTIATING TEAM BUT AS EXPERT RATHER THAN POLICAL LEVEL MEMBER, HE FRANK TO ADMIT HIS VIEWS ON POLICY MATTERS NOT OF MUCH WEIGHT. GORDON VERY ANXIOUS THAT NEGOTIATIONS SUCCEED AND SRL INVESTMENT GET UNDERWAY EARLIEST FOR SYMBOLIC

AS WELL AS EXPORT EARNING REASONS, BUT HE DID NOT APPEAR SANGUINE THAT MINISTERIAL LEVEL POLICY MAKERS PREPARED SHIFT FROM VAGUELY WORDED POSITION, WHICH HE SAID GOSL NEGOTIATING TEAM STILL HELD DURING LAST SESSION, THAT GOSL "WILL ULTIMATELY ACQUIRE 51 PER CENT OWNERSHIP" WITHOUT ACCEPTING ANY SPECIFIC TIME LIMITATION. (GORDON PERSONALLY OPPOSES 51 PER CENT PARTICIPATION POLICY IN PRINCIPLE AS UNREALISTIC AND DETRIMENTAL TO DEVELOPMENT OF MINERAL POTENTIAL OF SIERRA LEONE.) ON BASIS CONVERSATION WITH GORDON, EMBASSY INCLINED DOWNGRADE CHANCES OF AGREEMENT BEING REACHED DURING NEXT BETH STEEL VISIT, AND WOULD ESTIMATE CHANCES NOW AS FAIR AT BEST.

3. FRASER NOW DUE BACK JANUARY 21. WILL CONTACT ASAP FOR ANY FURTHER INSIGHTS.
SULLIVAN

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